



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 22, 2002

### **H.R. 3764**

### **Securities and Exchange Commission Authorization Act of 2002**

*As ordered reported by the House Committee on Financial Services on April 11, 2002*

#### **SUMMARY**

H.R. 3764 would authorize the appropriation of \$776 million for the Securities and Exchange Commission (SEC) in 2003. Of this amount, the bill authorizes at least \$134 million for the SEC's Division of Corporate Finance and the Office of the Chief Accountant, at least \$326 million for the agency's Division of Enforcement, and at least \$76 million for higher compensation for SEC employees.

Assuming appropriation of the authorized amount, CBO estimates that implementing H.R. 3764 would cost about \$607 million in 2003, and an additional \$162 million in 2004. Assuming the continued collection of the regulatory fees assessed by the SEC, however, net SEC spending would be negative in 2003, as is the case 2002. Under H.R. 3764, we estimate net SEC spending of -\$606 million in 2003. H.R. 3764 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 3764 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3764 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

By Fiscal Year, in Millions of Dollars						
	2002	2003	2004	2005	2006	2007
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Gross SEC Spending						
Under Current Law						
Budget Authority	409	0	0	0	0	0
Estimated Outlays	408	90	0	0	0	0
Proposed Changes						
Authorization Level	0	776	0	0	0	0
Estimated Outlays	0	607	162	0	0	0
Under H.R.3764						
Budget Authority/Authorization Level	409	776	0	0	0	0
Estimated Outlays	408	697	162	0	0	0
Less Offsetting Collections <sup>a</sup>						
Estimated Authorization Level	-1,135	-1,303	0	0	0	0
Estimated Outlays	-1,135	-1,303	0	0	0	0
Net SEC Spending						
Under Current Law						
Estimated Budget Authority	-726	0	0	0	0	0
Estimated Outlays	-727	90	0	0	0	0
Under H.R. 3764						
Estimated Authorization Level	-726	-527	0	0	0	0
Estimated Outlays	-727	-606	162	0	0	0

a. The SEC collects fees to the extent provided in advance in appropriation acts. The amount of fees collected is not dependent on the amount appropriated. (The authority to collect such fees in 2002 has been triggered by the 2002 appropriation; but there is no appropriation for 2003 yet)

## BASIS OF ESTIMATE

The annual appropriation for the SEC is typically offset by fees the agency collects for registrations, transactions, and mergers of securities. Under current law, the fee rates are determined periodically by the SEC, and they are collected only to the extent provided in advance in appropriation acts. In recent years those fee collections have been significantly greater than the appropriation provided to the agency.

For 2002, CBO estimates that the gross spending of the SEC will amount to \$408 million. When this figure is added to an estimated \$1.1 billion in fee collections, CBO estimates that the agency's net spending will be about -\$727 million for 2002.

Based on the SEC's historical spending patterns, CBO estimates that implementing H.R. 3764 would have a gross cost of \$607 million in 2003 and \$769 million during the 2003-2004 period, assuming the appropriation of the necessary amounts. Adding these amounts to CBO's projections for fee collections in 2003, we estimate that the SEC's net spending would equal -\$606 million in that year.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT**

H.R. 3764 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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